



U.S. Department of State FY 2000 Country Commercial Guide: Guinea

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TABLE OF CONTENTS

CHAPTER I:		
Executive Summary		page 1
CHAPTER II:		
Economic Trends and Outlook		page 3
CHAPTER III:		
Political Environment		page 7
CHAPTER IV:		
Marketing U.S. Products and Services		page 9
CHAPTER V:		
Leading Sectors for U.S. Exports and Investment		page 13
CHAPTER VI:		
Trade Regulations and Standards		page 17
CHAPTER VII:		
Investment Climate		page 19
CHAPTER VIII:		
Trade and Project Finance		page 27
CHAPTER IX:		
Business Travel		page 29
CHAPTER X:		
Appendices		page 33
Appendix A:Country Data		page 34
Appendix B:Domestic Economy		page 35
Appendix C: Trade		page 36

Appendix D:Investment Statistics	page 37
Appendix E:U.S. and Country Contacts	page 38
Appendix F:Market Research	page 42
Appendix G:Trade Event Schedule	page 43
Appendix H:Local Newspapers	page 44

I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Guinea's commercial environment using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Guinea's economy and commercial sectors are in the early stages of development. The government pursued generally socialist policies until 1984 when significant reforms to liberalize the political and economic environment were begun. While the informal sector response to more liberal economic policies has been impressive, international trade, agricultural production, and manufacturing have produced only a modest response. Poor physical and institutional infrastructure, an erratic and unpredictable judicial system, and corrupt practices contributed to the weak formal sector response.

In July 1996, President Lansana Conte appointed a new government, which promised major economic reforms, including financial and judicial reform, reduction of public expenditures, and improved government revenue collection. A concerted effort by the government to implement this program has succeeded in advancing Guinea's economy and commercial sector into the intermediate stages of development, expanding international trade, agricultural production, and manufacturing capabilities. The informal sector continues to be a major contributor to the economy.

Guinea has plentiful land and mineral resources, abundant rainfall and significant hydroelectric potential. However, many economic management issues must be resolved in order to create a stable environment for private sector growth.

Guinea's 1999 GDP was composed as follows:

Trade	25.3 %;
Mining	15.4 %;
Agriculture/Livestock	15.7 %;
Services	9.1 %;
Public Works	9.6 %;
Transport	6.1 %;
Manufacturing	3.7 %.

Outside of the mining sector, donor projects continue to provide the largest source of business opportunity for expatriate firms, and a critical driving force for the development of Guinea's infrastructure. Donor projects include roads, schools, and water systems construction, and ongoing improvements in energy, telecommunications, trade, transport, and other services. Guinea hosted an investors' forum in May 1998 to present more than 100 public and private investment opportunities, totaling over 150 million USD.

Guinea's imports, worth approximately 652.6 million USD in 1999, represent 22.32 % of gross domestic product. Leading imports include:

	in USD	% of total imports
Food products:	110.0 million	15.4 %
Petroleum products:	110.0 million	15.4 %
Machinery and equipment:	103.5 million	14.5 %
Vehicles:	80.5 million	11.3 %
Clothing:	30.5 million	4.3 %
Construction materials:	29.5 million	4.1 %

Although U.S. investors and exporters profit from a healthy public and private interest in U.S. goods, services, and technology, third country competition for markets is strong. The French, traditionally Guinea's major suppliers, are present in a variety of sectors. Guinea's leading suppliers in 1998 were France, Spain, Cote d'Ivoire, Italy and Belgium. If one excludes petroleum products, India and the U.S. are the 4th and 5th leading suppliers of goods, behind France, Spain and Belgium. In the industry and manufacturing sectors, the French, followed closely by Belgians and Canadians, use their countries' extensive aid programs to consolidate business positions in construction and technology. In 1996 and 1997, Malaysia made significant investments in the banking and telecommunications industries, and indicated interest in investing in agriculture, construction and tourism. A large retail sector exists in Guinea, the most visible part of which are Lebanese traders.

Infrastructural constraints and the poor performance of Guinea's judicial system hamper its business climate. Guinea lacks a well trained cadre of managerial and technical personnel and labor productivity is low. Although transportation, communications, and industrial infrastructure are improving, quality continues to be low and does not yet meet demand. The commercial banking sector provides limited and expensive services, with restricted financing options. The judicial and administrative environment is unreliable, does not guarantee fair and transparent administration of the law, and offers little protection to expatriate businesspersons. Finally, corruption is rampant, and has a negative impact on even the most straightforward business transactions.

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commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-Trad(e) or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook:

At the outset of the Second Republic in 1984, the government of Guinea undertook an ambitious program of reform, aimed at dismantling the 24-year-old centralized, state-run economy. To this end, the GOG adopted measures designed to create a market economy and open the country to trade and investment from the previously closed outside world. The measures achieved significant progress in downsizing and improving the performance of the public sector, improving the regulatory environment, liberalizing the price, exchange and trade system, and increasing the efficiency of the tax system. The GOG has demonstrated a commitment to continue on this path of reform, emphasizing privatization and liberalization.

In July 1996, the President created the office of Prime Minister and appointed a new cabinet. President Conte charged the new government with rekindling stalled economic reforms and creating a more accountable and transparent environment. The Prime Minister and the Cabinet were to focus on economic objectives, leaving political aspects to the presidency. Specific goals included in-house financial reform, rationalization of public expenditures, and increased and improved government revenue/receipts collection. In February 1997, President Conte transferred the economic portfolio from the Prime Minister to the Minister of Finance and the Economy. The new Minister has reaffirmed the government's economic goals.

Guinea continues to make progress on economic reforms, but much remains to be done. Because fiscal revenue projections consistently fall short, ad hoc expenditure reductions make it difficult to plan and execute much needed public investments. Although the GOG privatized substantial government holdings, it still dominates all major, previously state-owned, companies and holdings. For example, the President personally appoints the directors of all the utility companies.

Guinea has been able to sustain high rates of growth and, since 1993, low inflation. GDP growth rates were 12.1 % and 4 % in 1998 and 1999, respectively, and the projected GDP growth rate for 2000 is 5.5 %. Inflation remains low, at 4.3 %. Exchange rates are relatively stable, and the spread between the official and parallel market rates has fallen to about 5.5 %. However, this performance has been at the cost of a significant decrease in foreign exchange reserves. Under the Enhanced Structural Adjustment Facility Agreement (ESAF) with the IMF, the Central Bank will decrease its participation in the foreign exchange market.

Guinea is also characterized by high unemployment and underemployment and by significant debt. Although official (formal sector) unemployment is estimated at over 50 %, a World Bank study including employment in the informal sector puts the figure at 8-11 %. At the end of 1998, external debt totaled 3.1 billion USD, representing 73.2 % of the GDP. Debt service has increased considerably and consumed half of all mining revenues and one third of the state's financial resources in 1998.

In early 1997, the Paris Club rescheduled a large portion of Guinea's bilateral public debt. The February 1997 agreement restructured USD 123 million of debt, including a 50 % forgiveness of eligible debt. The agreement is a significant sign of support from the international community for the government's economic reforms. Russia's September 1997 accession to the Paris club resulted in an up-front discount of 70% of Guinea's pre-1992 Russian debt, bringing the debt-to-exports ratio from 285% in 1997 to 207% in 1998. Guinea signed an agreement at the World Bank consultative group meeting in May 1998, which will reduce its debt by 720 million USD by the end of 2000.

A second ESAF agreement was signed in January 1998 providing Guinea with 96.8 million USD over three years to carry out structural reforms. The GOG committed itself to working with the IMF and the World Bank to continue reforms in order to strengthen revenue collection, restructure the banking system, and improve the management of public expenditure and the judiciary.

Principal Growth Sectors:

Highest growth sectors (1999) include:

Public Works	5.0%
Agriculture	5.5%
Trade	5.1%
Services	5.0%
Industry	5.3%
Manufacturing	5.5%
Mining	3.9%

With GOG non-mining revenues increased to 83 % in 1999, and only a slight projected decrease to 77 % in 2000, Guinea's economy continues to depend heavily on the mining sector (particularly on bauxite). The mining sector accounts for 15.45 % of GDP and 87 % of export earnings. Growth projections for 2000 are 13.2 %. The expansion and development of newly begun gold and diamond mining will add to these projections.

Other sectors with potential for strong growth include: agriculture (including agro-industry), industry, fisheries (especially development of a fishing industry), construction (roads, housing, public works), trade, transport, services (particularly in hi-tech areas), and tourism. Statistics on current and projected growth rates in these sectors are in Chapter V. Privatization in the telecommunications, banking and energy sectors has opened up additional areas for foreign investment (growth data unavailable).

Substantial Malaysian investments in telecommunications and banking could open up those sectors to U.S. equipment investment (for example, providing cellular telephones and computer technology). The Malaysians have also expressed intentions to invest in tourism, which, with improvements in infrastructure, could be another good opportunity for U.S. investors. The

investors' forum held in May 1998 presented over 100 investment projects in agriculture, forestry, fishing, industrial, and public work sectors.

Government Role in the Economy:

The GOG plays a predominant role in all aspects of the economy. The legislature has some influence in budgetary priorities. The Central Bank is controlled by the government's executive branch.

Although legal provisions for decentralization and economic development exist, in practice the national government exerts significant control over the political and economic choices of local communities. With Guinea's weak civil society, political leadership is largely unaccountable to the general Guinean population and its laws.

The GOG has slowly disengaged itself from productive and commercial activities through a 1995-1997 privatization program and plans to adopt a comprehensive privatization plan to complete the process. The GOG, for example, has begun to talk about selling its 49 % stake in the country's largest bauxite mining company, Compagnie des Bauxites de Guinee (CBG).

The four main priority sectors for government spending are rural development, mining, infrastructure, and social services. The GOG plans on increasing expenditures in these sectors from 72.56 % of the national budget in 1999 to 92 % in 2000.

Balance of Payments Situation:

At the beginning of 1999, external debt totaled 3.4 billion USD, representing 73.6 % of GDP and 14.8 % of export earnings. A February 1997 agreement with Paris Club debtors restructured USD 123 million in debt, including a 50 % forgiveness of eligible debt. However, debt servicing continues to be a large part of the budget, and consumes half of the mining revenues and one third of the state's financial resources in 1997. In September 1997, Russia joined as a creditor in the Paris Club, which afforded Guinea further debt relief. In May 1998 at the World Bank consultative group meeting, Guinea received significant pledges of debt relief (700 million USD).

Guinea's current account deficit (excluding public transfers) is 244,5 million USD, and is projected to reach to 254,9 million in 2000. The external current account deficit was 27.6 million USD in 1999. The overall balance of payments was 6,4 million USD at the end of 1998, and is projected to increase to 28,7 million USD by the end of 2000.

Guinea remains dependent on mining exports for government revenue and for foreign exchange earnings. In 1996, mining receipts accounted for 75 % of the GOG's foreign exchange earnings. Guinea received official grants and loans totaling 280 million USD in 1998. Much of this consisted of programmatic or project level assistance for the development of infrastructure

and advisory services, provided in conjunction with the GOG's Public Investment Program (PIP).

Infrastructure:

Guinea's infrastructure is poor but improving. Major infrastructure projects underway include rural road construction, water systems installation, public works, hydroelectric power, and thermal energy expansion. Major road improvements and the construction of new roads means the country's principal centers are now accessible by paved roadway. Local private transport is plentiful, though the quality is generally poor. There have been improvements in both the urban and rural water supply, though production still only reaches 75 % of the urban population and 50 % of the rural population.

Investment in electricity and energy production increased in recent years. Unscrupulous investors, poor management, and corruption caused major setbacks in this sector, on both proposed and ongoing projects. For example, while the multi-donor financed Garafiri dam is still under construction and is estimated to reach completion by the end of 1999, its total megawatt output will not meet Guinea's short-term needs.

The telecommunications industry is now partially privatized with the majority of the private investment coming from a Malaysian telecommunications consortium. The consortium significantly increased the number of phone lines in Conakry by installing 30,000 new lines in 1999. Communication links between Conakry and the interior are still unreliable, however.

Guinea is one of the countries benefiting from the U.S. Leland Initiative, which brought full internet service on-line in 1997 to Conakry, and in 1999 regional cities such as Labe, Kankan and N'zerekore were brought on line. Sotelgui, the main internet service provider, reported over 300 internet subscribers in July 1999. Efforts are being made through the World Bank to address the Year 2000 computer problem in Guinea.

III. POLITICAL ENVIRONMENT

Nature of Political Relationship With the U.S.:

The U.S. and Guinea have maintained continuous diplomatic relations since independence in 1958. U.S. development assistance to Guinea concentrates on long term development objectives. The U.S. Agency for International Development provided USD 29.5 million, 20 million and 14 million in 1994, 1995 and 1996, respectively. Priority areas were: education, health, agricultural marketing, rural road construction, and rural enterprise development. During the past 3 years, USAID has supported the construction of over 1,000 km of rural roads in Guinea. USAID's budget for 1997, 14.0 million USD, was used in the areas of education, health/family planning, agriculture and improved governance and democracy. In addition, the United States Information Service operates an American Cultural Center, and there are over 100 Peace Corps volunteers working in education, health and natural resources management throughout Guinea.

Major Political Issues Affecting Business Climate:

The two largest issues affecting the business climate are fiscal and judicial/administrative reform. In spite of investment incentives, large businesses and foreign interests often contribute more than their share of taxes, utility costs and other fees, due to inequitable billing and collection, fraud and non-payment for services. Current reform efforts, including GOG budgeting for service and utility expenditures, aim to improve the billing and collection processes.

The judicial and administrative systems need significant improvements in order to create a stable investment climate. New government initiatives, such as one-stop business registration and the creation of an arbitration court to handle business disputes, may ameliorate the situation by facilitating procedures and increasing transparency within these systems.

Political System, Schedule for Elections, and Orientation of Major Political Parties:

In December 1993, the GOG held its first multi-party presidential election since gaining independence in 1958. While not a completely transparent process, the balloting occurred with large voter turnout, and Guinean citizens elected Lansana Conte to a five-year presidential term. According to the Guinean constitution, the next presidential election must be held in 1998.

Guineans voted in their first multi-party legislative and municipal elections in 1995. Scattered violence marked the elections, and international observers noted irregularities in the electoral process. However, the elections produced Guinea's first multi-party National Assembly which, upon its installation in 1995, completed the institutional transition to democracy. Now, Guinea has executive, legislative, and judicial branches. Presidential elections in December 1998 were much more successful and although the GOG still falls

short of a true democratic system there has been much improvement made throughout the years.

There are 10 political parties represented in the National Assembly. The government party (PUP) holds the majority of seats. Three major parties, accounting for one-third of the seats in the assembly, work in coalition as an active opposition.

In February 1996 a military mutiny occurred. The mutiny lasted two days and resulted in 20 to 50 deaths, the majority civilian. It came to an end when the President agreed to address the soldiers' grievances (involving salaries and benefits). After the mutiny, President Conte took over the Minister of Defense portfolio and he remains an active General in the army.

In March 1998, rioting broke out after the GOG demolished houses in the Ratoma commune, illegally constructed on public land, leaving 100,000 homeless and nine dead. Over 50 people were arrested following the riots, including three members of the National Legislative Assembly.

IV. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels:

Each industry has its own policy and network for sales and distribution. Sales of products of mass consumption usually occur through wholesalers who import in bulk for resale to small traders or distributors in the interior. Retailers often directly import luxury consumption goods. In general, mining, utility and industrial firms conduct heavy equipment sales directly with suppliers. Service and customer support are available only if negotiated at time of sale. For sales to the government, advance payment is recommended. Conakry, Guinea's capital, has two large marketplaces, numerous small shops, and a handful of large grocery stores. There is a significant informal trading sector.

Use of Agents and Finding a Partner:

Entering a successful partnership or representational arrangement can be extremely difficult in Guinea's newly developing private sector. Because transparency in the judicial system is still in early stages of development, and accounting practices are not very reliable, U.S. businesspersons should exercise extreme caution when entering contract arrangements locally. The newly-installed arbitration court may help to expedite the resolution of disputes if difficulties arise.

In addition to the U.S. Embassy Commercial Officer, the local Chamber of Commerce, the Employers' Association, and GOG Offices of Investment Promotion are good central points of contact with the local business community (see Appendix E).

Franchising:

No franchises currently exist in Guinea. The market for such products is very small.

Direct Marketing:

Although the government permits direct marketing, there are no such companies currently operating in Guinea.

Demonstration events or product fairs are, generally best for new high technology or specialty products targeting a small market niche in Conakry (see Appendix G). Smaller, specialized fairs occur in hotel space available in Conakry, or through agreement with a local partner or GOG office. No U.S. products have been showcased in this manner within the past 3 years.

Steps to Establishing an Office:

Registry of a business is relatively straightforward. Legal incorporation for new investments involves signing by-laws, depositing the start-up capital in a blocked bank account, registering the company at the Register of Economic

Activities and announcing the incorporation in a journal for legal notices. The process is centralized at the Center of Business Formalities (Center de Formalities des Entreprises) in the Office for the Promotion of Private Investment (OPIP), the one-stop business registration office.

A new business pays fees of 100 USD; plus submits two photos of the company's Director, Managing Director, or Agent; a local residence certificate; police clearance; and a visa (if a foreigner). Individuals pay 50 USD to register and co-operatives register free of charge.

The Six Categories of Companies Recognized by the Code of Economic Activities Include:

Joint stock companies, either S.A. (capitalization of at least 50,000,000 Guinean francs, approximately 40,000 USD in 1999) or S.A.R.L. (minimum capitalization of 5,000,000 Guinean francs, approximately 4,000 USD in 1999);

- partnerships;
- non-trading real estate companies;
- professional services companies;
- cooperatives;
- special and grouping companies, including joint venture companies, de facto companies, temporary groupings.

Application for a privileged regime, a company qualifying for tax and import benefits, is more complicated (see performance requirements and incentives). Application procedures involve signing a convention with the Ministry of Finance, gaining approval of the Ministry with technical jurisdiction over project activities, and gaining approval of the National Investment Commission (CNI). In practice, Ministers of respective sectors also sign conventions for privileged regime status.

Post-registration and licensing regulation is, for all practical purposes, non-existent. For privileged regimes, the documents outlined in the section on performance requirements must be filed with the National Investment Commission (CNI), but there is little oversight. Most often, the CNI or the Ministry of Finance is deals with investors experiencing difficulties with the tax administration or with customs officials who fail to recognize the advantages granted in an investor's convention. The CNI also has the discretionary power to renew an advantageous tax regime after the initial period expires.

Selling Factors/Techniques:

The Guinean population is 90% Muslim, and Islam plays a major role in shaping the customs and habits of the local business culture. U.S. businesspersons should be familiar with the basic tenets of Islam to facilitate business dealings.

Friendship and trust are very important in Guinean culture. It takes time to build a successful working relationship in Guinea, and effort, patience, and face-to-face contact may be required to bring business transactions to fruition.

Advertising and Trade Promotion:

The print media is free and flourishing in Guinea, subject only to occasional government interference. There is one government daily newspaper and 5-10 independent weeklies. There are also 1-2 monthly commercial (advertising) journals. A complete list of periodicals can be found in Appendix H. Also, Jeune Afrique, a weekly news magazine emphasizing economic and trade issues, circulates widely in Conakry. The broadcast media (radio/TV) are entirely under GOG control.

There are three major trade fairs in Conakry: 1) Agriculture, Industry and Artisan Fair held every September/October; 2) Guinean products fair held every May/June; and 3) Conakry International Fair, held every other November (see Appendix G). The Investors' Forum held in May 1998 was the first-ever investment conference in Guinea.

Pricing Product:

While U.S. goods are extremely popular in Guinea, the low income market favors low cost goods. For example, local construction favors low quality and low cost construction materials putting higher quality/cost U.S. materials at a disadvantage. For low cost items, if the difference in cost is not significant, consumers prefer U.S. products. The average mark-up is 25 %.

Selling to the Government:

The rules governing sales to the GOG vary depending on the amount of investment and source funds. Donor country/institutions stipulate the bidding and awarding rules for foreign financed public investment projects. The AGCP (Guinean Central Procurement Agency) handles projects/contracts over one million USD. The Public Market (Marche Publique) handles projects/contracts under one million USD. These generally go to Guinean-based companies. The various ministries and government organizations are responsible for their own procurement of materials and services (not as part of an investment project). They generally order from local representatives or from foreign sources. In many cases, the GOG does not meet payment obligations in a timely fashion, so advance payment is strongly recommended.

Protecting Your Product from IPR Infringement:

Guinea has been a member of the World Intellectual Property Organization (WIPO) since 1981, a signatory of the Paris Convention on intellectual property. To ensure compliance with standard patent laws, Guinea works closely with the African Organization for Intellectual Property (OAPI)

based in Yaounde, as well as with UNIDO. Guinea is currently revising the intellectual property right laws to bring them up to international standards.

Detailed IPR registration procedures exist, and the Intellectual Property Office in the Ministry of Commerce and Industry is well trained for the registration of copyrights and patents. There is no administrative or regulatory system in place, however, for enforcement. There are no inspectors in the IPR office in Guinea and only one regional OAPI inspector based in Cameroun. IPR enforcement, therefore, relies on the Guinean judicial system.

Need for a Local Attorney:

The use of a local attorney as a source of consultation and guidance, especially in the case of business disputes, is prudent. The judicial system in Guinea is still in the early stages of development, and is often accused of corruption. Thus, an attorney familiar with local practices is essential. The U.S. Embassy maintains a list of local attorneys in the consular section, and a list is also available from the GOG Ministry of Justice.

Performing Due Diligence/Checking Bona Fides of Banks, Agents, and Customers:

There is no existing agency through which American businesses can verify the credit background of counterparts in Guinea into business. The U.S. Embassy suggests requiring a letter of credit before commencement of business transactions.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services:

Non-agricultural sectors with the best prospects for U.S. exports in the short and medium-term include the following: machinery and equipment, petroleum products, construction/semi-finished material, industry/manufacturing, telecommunications and hi-tech equipment (computers, soft/hardware), and consumer goods (canned/dry supermarket goods, textiles, used clothing, alcoholic and non-alcoholic beverages, tobacco products).

Machinery and Equipment: Imports of machinery and equipment in 1999 totaled 253.7 million USD, and represented 29.7% of total imports. U.S. heavy mining equipment, agricultural machinery, and industrial vehicles have penetrated the local market. American exporters have the opportunity to increase supplies of industrial equipment and machinery assuming continued manufacturing and construction activity. Expansion will depend on exporters' persistence in overcoming third country competition.

Petroleum Products: Guinea imported 109 million USD in petroleum products in 1999, making up 12.7% of total imports. The GOG no longer monopolizes petroleum products imports and commercialization. In addition, Mobil Oil received its final expropriation compensation payment from the GOG in 1996, and was granted permits for 11 lots for service stations in Guinea. A total of seven were opened at the end of 1998. Competitors for petroleum product imports are Cote d'Ivoire, Gabon, the Netherlands, Italy, Brazil and France. Primary competitors for distribution in Guinea are France (Elf, Total) and Great Britain (Shell).

Construction/semi-finished material: Donor projects and a local construction boom fueled large imports of construction materials. The nationality of locally based expatriate companies, as well as the nationality of the project funders, influences the imports chosen to support the construction sector's development. The construction and public works sector accounted for 9.6 % of GDP in 1999, and the GOG expects it to grow by 7.3 % in 2000.

Guinea imported 121,172 metric tons of construction and semi-finished materials in 1999. Clinker (material used in cement) imports increased 31.7 % (to 67,413 metric tons) from 1998 to 1999; while cement imports increased by 173.89% (to 43,107 metric tons).

Telecommunications and Hi-tech Equipment: High technology products, including communications equipment and services, are seeing a marked opening. (There are no import statistics on these products.) The planned expansion of services by Malaysian investors (to triple the number of phone lines in Guinea in 1999 and to provide Internet services) will increase demand for products such as cellular phones, relay towers, and switches. SOTELGUI, Guinea's main cellular and Internet service provider, reported 8829 cellular

phone service subscribers in July 1999. SOTELGUI is planning on launching a new pre-paid telephone service – for both fixed and cellular phones – in October 1999, system which would minimize collection problems and which has recently proven very successful in other West African countries such as Cote d'Ivoire and Senegal. SOTELGUI currently has 348 Internet subscribers in Guinea.

Consumer Goods: In 1999, Guinea imported 138,350 metric tons of consumer goods (29 % of total imports). Imports of non-alcoholic beverages increased by 276.27 %, and tobacco imports increased by 114.68 % from 1998 to 1999 (measured by volume). Used clothing, cosmetics and hair care products are also big imports but are mostly sold in the informal market making exact numbers difficult to find.

Best Prospects for Agricultural Products:

Although Guinea's agricultural sector employs approximately 75 % of the labor force, production accounts for only 25.6 % of the country's gross domestic product, and 13 % of export revenues. The large majority of production is at the smallholder/subsistence level. Over half the growth in agricultural production in recent years is due to an increase in the land under production, not to an increase in efficiency and yields. This has significant environmental impact and cannot be sustained over the long term.

In spite of the growth of domestic agriculture, Guinea is still a large importer of agricultural products, tobacco, and alcoholic and non-alcoholic beverages. Imported food products accounted for 101.9 million USD in 1999. Leading food product imports in 1999 include (measured by volume): rice (47,587 metric tons), flour (18,401 metric tons), sugar (18,744 metric tons), fish (1,844 metric tons), cooking oils (8,252 metric tons), dairy products (2,561 metric tons), condiments/spices/salt (1,701 metric tons), and onions (9,015 metric tons). (Source: Port of Conakry.)

Guinea's largest suppliers of rice (1998 to 1999) are India, Senegal, Italy, and China. Flour imports originate largely in France with some Belgian contribution. Principal sugar suppliers include France, Belgium, and Italy. Charges for these products increased substantially in 1999, resulting in a drastic decrease of importations from these sectors.

Periodically, the GOG takes measures to protect domestic agricultural production. For example, during the Guinean potato and onion harvests the government reduces foreign potato and onion imports. In addition, the European Community has several export subsidy programs. These have enhanced the EU share of Guinea's imports of flour and dairy products.

Two other areas that may offer potential for U.S. exports are wheat (now that there is a local wheat flour mill), and livestock feed (livestock production growth projections are 5.6 % for 2000).

Guinean agricultural exports have decreased substantially, due mainly to a decrease of charges for agricultural products. In 1999, agricultural exports represented 3 % of total exports (by value). Guinea exported 22,734 metric tons of animal/vegetable products (coffee, cacao, cotton, and palm products), which represents a 2.71% decrease from 1998. However, Guinea exported 11,381 metric tons of food products (fish products, tomato and tomato paste, and other) in 1999, which represents a 410.82 % increase. Pineapple exports increased 127.67% from 1998 to 1999. Other possibilities for investment include agro-industry and food processing.

For interested U.S. exporters, Guinea is eligible for three regional USDA export subsidy programs: a wheat export enhancement program, a dairy export enhancement program, and a GSM-102 credit program. For further information, please contact the U.S. Department of Agriculture, Foreign Agricultural Service, room 4071-South Building, Washington, D.C. 20250-1000.

Major Local and Third Country Competitors in Specific Sectors:

France is Guinea's strongest traditional economic partner. The French government provides extensive development assistance, and French businesses are active in a variety of sectors including banking, insurance, shipping, communications, construction, agricultural export, and manufacturing. Canadians and Belgians also have a strong local presence.

In 1996 Malaysians began investing in Guinea in telecommunications and banking and have expressed interest in investing in construction, tourism and agriculture. Another visible business presence is the informal sector Lebanese traders. This group is also involved in real estate, small manufacturing enterprises, and telecommunications, supermarkets, wholesale food, and electronics.

Significant Investment Opportunities:

Mining: Guinea's considerable mineral and metal resources have long been the critical source for GOG budget revenues and an enormous potential area for future wealth. Guinea possesses one-third of the world's bauxite with an estimated 18 billion ton reserve. Guinea also possesses one of the last high grade iron ore deposits, as well as untapped reserves of gold, diamonds, and other gemstones and precious metals that are in the beginning stages of exploration. Mining accounts for 15.45 % of GOG revenue, and 87 % of exports. Mining production grew 3.9 % in 1999 with a 2.5 % growth projection for 2000. However, due to a decrease of charges in bauxite by 37.5 %, and aluminum by 10.13 %, the first trimester of 1999's mining industry represents a 3.94 % regression as of the same period in 1998.

Industry/Manufacturing: Guinea's small industrial and manufacturing sector grew 33.27 % in 1999 with a projection of 5.2 % growth in 2000. The area is dominated by agro-food processing, which constitutes 29 % of the sector. Although industry and manufacturing account for only 3.9 % of Guinea's GDP, these sectors are import-intensive and have good expansion

potential. In 1999, Guinea imported 180.4 million USD of intermediate goods and industrial products.

Transportation: The transportation sector grew by 6.3 % in 1999 and is expected to grow 6.1 % in 2000. Guinea has spent over 450 million USD on transportation infrastructure since 1986. Rural development is the GOG's primary sector and they spent 43 million USD on rural roads, construction, and repair during 1998.

Energy: Although there were several publicized investment failures in 1996 and 1997 (mainly due to corruption and poor management), reforms and privatization efforts in the energy sector will create opportunities for foreign investment. Water and electricity production grew 8.5 % in 1999, with 2000 growth projected at 15.0 %. This significant increase in energy production will be mainly due to the planned completion of the hydroelectric site at Garafiri by the end of 1999. The French and Canadians are primary investors in the energy sector.

There is a large potential for further expansion of the hydroelectricity industry in Guinea. A survey of dam sites revealed an estimated potential hydraulic energy output of 100 billion kwh per year.

Fisheries: Guinea has superior fishing resources with over 300 km of coastline and an 80 km continental shelf. The World Bank estimates that Guinea's annual ocean fisheries potential exceeds 200,000 metric tons. Many of the species found in Guinean waters are of high commercial value. Since 1990, shrimp farming, cold storage facilities in 14 of the country's prefectures, and several small commercial fishing trade ventures account for much of the growth in this sector. There is room for expansion as the majority of fishing is still artisanal. The fishing sector estimates 12 % growth in 1999.

GOG investment projects: The GOG presented over 100 private and public investment projects, totaling more than 150 million USD, at an investors' forum in May 1998. Funding for the projects was provided by the United Nations Development Program (UNDP) and the United Nations Industrial Development Organization (UNIDO). Projects were in the agriculture, fishing, industry, and public works sectors. For more information on the projects contact OPIP (see Appendix E).

The government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, American firms that have operations abroad sell roughly 60% of U.S. exports. Recognizing the benefits that U.S. outward investment bring to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations and business facilitation programs, to support U.S. investors.

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers (Tariffs, Non-Tariff Barriers and Import Taxes):

In 1994, through a variety of income and import tax increases, the tax burden on international businesses increased significantly. International financial experts in Conakry note that the new code hits medium to large expatriate ventures most immediately, and will diminish the margin of benefits originally intended to compensate investors for Guinea's poor infrastructure and difficult work environment.

In 1996 the GOG added a value added tax (VAT) to all taxable items at a uniform rate of 18%. Exports, international transportation, and certain basic food items are excluded.

In 1998, the GOG focused on improving tax administration and collection in order to increase non-mining revenue. The increase in non-mining revenue is generated by the implementation of a unique land tax, non-tax revenues (mostly user fees), and strengthened implementation of the vat. In 1997, VAT coverage was extended to include the mining sector.

Import Tax:

Guinea has a flat import tax rate of 33% on most imports. However, some privileged regimes, described in the section on performance requirements and incentives, some public investment projects and donor organizations can receive exemptions. Privileged regimes have an exemption on import duties for machinery and equipment for use on investment projects and a 6% duty on raw materials. Basic food and agricultural products are taxed at 1-2% and some items (medicines, for example) are tax-exempt.

A surtax is imposed on luxury items, such as vehicles, alcohol, tobacco, and other consumer items. The surtax varies from 20 to 70%. The surtax is 20 to 30% for vehicles. A full schedule is available upon request from the customs office.

Customs Valuation:

In 1996, the GOG appointed a new company (SGS-Swiss) to manage customs. SGS assesses customs values, tariff rates, and customs duties and monitors the collection of customs duties and taxes (paid through commercial banks). SGS assists companies in getting through the customs process and performs any shipment inspections required by GOG. The GOG hopes this will tighten the customs clearance process and reduce corruption and fraud.

After customs declaration and prior to clearance, importers must verify the value of goods imported. Following valuation, customs issues a bill for duties owed, which must be paid directly to the Central Bank or to a local commercial bank. With the Central Bank receipt, merchandise can be cleared through customs. A variety of local shipping agents are available to assist in this process, and with warehouse storage of incoming goods.

Import Documentation/Licenses:

The government requires importers to obtain formal import authorization (Demande Descriptive d'Importation – DDI) from the Central Bank if importing quantities exceeding 5,000 USD in value.

Export Documentation/Controls:

The GOG requires exporters to obtain formal export authorization (Demande Descriptive d'Exportation - DDE) from a commercial bank, and to present a Certificate of Guinean Origin to the Office of Foreign Commerce. According to the GOG, with the exception of gold and diamonds, exporters are not taxed.

Temporary Entry:

Temporary exemptions from import duties are accorded to those fulfilling government contracts. At the end of the contract period, or after three years, items must be exported or the company and the GOG agree on a fixed rate total tax (which will be less than paying each of the different duties separately).

Labeling/Marketing Requirements:

There are no labeling or marking requirements for exports or imports.

Prohibited Imports:

Prohibited imports include firearms, military equipment, and narcotics.

Standards:

Product and service quality standards are neither applied nor enforced in Guinea. However, importers may request specific international product requirements or standards (of Guinean products).

Free Trade Zones/Warehouses:

Guinea has no free trade or export processing zones or warehouses.

Membership in Free Trade Arrangements:

Guinea is a member of the Mano River Union, which creates a customs union between Guinea, Sierra Leone, and Liberia. Guinea is also a member of the West African Economic Community (ECOWAS).

VII. INVESTMENT CLIMATE

Openness to foreign investment:

Guinea is a small market, but GOG investment policies and consumer interest in American products make it an open and attractive market for U.S. investment. The investment code of 1987 guarantees the right of all individuals or private legal entities of both Guinean and foreign nationality to undertake any economic activity in accordance with current laws and regulations. Thus, Guinea is open to direct foreign investment, and to this end, an investment promotion unit exists within the ministry of industry.

Laws governing takeovers, mergers, acquisitions, and cross-shareholding are limited to rules for documenting financial transactions, and filing any change of status documents with the economic register.

The investment code authorizes private investment of all types--foreign private, mixed foreign and local, or public-private mixes. The government of Guinea provides a guarantee, in the 1987 investment code, that it will not, except for reasons of public interest, take any steps to expropriate or nationalize investments made by individuals and companies. The investment code also grants that, subject to the laws of the country, foreign investors and corporations will receive the same treatment as Guinean nationals.

The mineral liberalization policy of 1992 legalized wholly private ventures in the mining sector. The ministry of natural resources and energy accords authorization and licensing at its own discretion. In order to attract major investment and to restore competitiveness in the sector, the GOG passed the 1995 mining code. The code provides for the GOG's gradual divestiture of its capital in mining companies, significantly reduces the requirements for GOG participation in mining ventures, and allows favorable tax treatment for the duration of mining claims (including VAT exemptions during prospecting, construction and expansion stages). The GOG has initiated moves to sell its shares in the country's largest bauxite mine, the CBG consortium.

The telecommunications liberalization policy of 1992 allows for private activity in the "value added" services sector -- including cellular, radio, satellite, on-line data transmission, and other services. A fee-for-service internet connection also opened at the USIS cultural center in December of 1998. Licensing and administration, however, are regulated by the GOG telecommunications company, SOTELGUI, and the ministry of communications. In 1996, the GOG sold half its shares of SOTELGUI, formerly a GOG telecommunications monopoly, to a Malaysian telecommunications consortium.

Private operators now manage the production, distribution, and fee collection operations of water and electricity under performance based contracts. The GOG hopes to strengthen the financial health of the energy sector by improving invoicing and collections, containing costs and improving services. New electric power sector regulations will pave the way for greater private investment in the energy sector. The 1995 elimination of the public

monopoly on petroleum product imports and commercialization means private distributors are now operating in Guinea.

100 % foreign ownership is permitted in commercial, industrial, mining, agriculture, and service sectors. Industries that are restricted from having a majority of foreign ownership are radio, television, and newspapers. The government controls, owns, and operates the electronic media, although USIS programs continue to encourage the GOG to permit private independent radio and television stations with civic education programming and VOA affiliates to compete with the official media.

Conversion and transfer policies:

Individuals or legal entities making foreign investments in Guinea are guaranteed the freedom to transfer to any country of their choice the original foreign capital, profits resulting from investment, capital gains on disposal of investment, and compensation paid in the case of nationalization or expropriation of the investment. Unless there is a foreign exchange crisis, such transactions can take place upon request, although some expatriate businesspersons complain of periodic delays or shortages. These delays do not concern the GOG as there are no specific laws pertaining to this factor. Periodic delays depend solely on the banks of the foreign investors in question.

Expropriation and compensation:

The government of Guinea provides a guarantee, in the 1987 investment code, that it will not, except for reasons of public interest, take any steps to expropriate or nationalize investments made by individuals and companies. It also promises fair compensation for expropriated property.

Although the law states that expropriation is possible, there have been no known overt cases. Because Guinea is a member of the world trade organization the host government obeys the laws preventing discriminatory tendencies against U.S. investments, companies, and representatives in expropriation.

Dispute settlements:

The 1987 investment code states that disputes resulting from interpretation of the code shall be settled by competent Guinean judicial authorities in the accordance with laws and regulations. In practice, however, a fair settlement may be difficult in such cases. Although the Guinean constitution creates an independent judiciary, businesspersons frequently claim that the administration of justice is plagued by poorly trained magistrates, high levels of corruption, and nepotism.

The GOG is in the process of implementing a wide range of reforms in order to strengthen the judicial system and ensure a favorable climate for

April of 1999, independent of the ministry of justice, to settle business disputes in a less costly and more expedient manner. The Arbitration court is based on the French Prud' Homme system where arbitrators are representatives of the Guinean business sectors, not current lawyers or judges, and are supervised by the chamber of commerce.

Investors should know that, in many cases, the GOG does not meet payment obligations to private suppliers of goods and services – both foreign and Guinean – in a timely fashion. There is no independent enforcement mechanism for collecting debts from the GOG, although some contracts have International Arbitration clauses. The GOG is bound by law to honor judgments made by the Arbitration Court. Most large foreign contractors prefer to work directly for donor-funded projects.

According to the code of economic activities, a company declaring bankruptcy can be held responsible for its debts through the Guinean court system. Monetary judgments are usually made in local currency.

In 1986, Guinea ratified the March 1985 international convention on the settlement of investment disputes between states and nationals of other states and is a member of the international center for the Settlement of Investment Disputes (ICSID).

Performance requirements/incentives:

The 1987 investment code created an advantageous regime for investments in high priority sectors and industries, such as small and medium enterprises, export-oriented enterprises, value added activities, or investments in less-developed zones of Guinea. The National Investment Commission (CNI) determines eligibility for benefits on a case-by-case basis according to the investment code. In practice, the ministers responsible for the concerned sector can also accord these benefits.

High priority sectors include: agricultural production, especially food crops and rural development; agro-industry, including food processing and transformation phases; animal breeding, including preservation and transformation facilities; mechanical or chemical preparation/processing of mineral, plant, or animal products; health and education; tourism and related activities; housing construction; development banks and financial credit institutions.

Investors in high priority sectors *favorable regimes* enjoy an exemption from import duties and turnover taxes on the import of equipment, material and machinery necessary to implement their investments (excluding vehicles for personal transport) during the period of initial investment or during a period of expansion investment. This exemption is not applicable to the VAT (value added tax). Businesses are responsible, however, for a 2 % (FOB value) registration tax on such imported equipment. Raw material imports are subject to a one-time 6 % import tax and are exempted from all other taxes (except the VAT) without time limit. Each year the customs service determines the amount

For a period of one fiscal year following the completion of the above benefits, the Commercial/Industrial/Company (C/I/C) tax base is reduced by 50 %. For the second fiscal year following the completion of the same benefits, the C/I/C tax base is reduced by 25 %.

Favorable regimes can also find income tax exemptions, discounts on social security payments of Guinean employees during the first five years of operations, and a 50 % income tax reduction for the requirements for investors to Maintain favorable regime status are covered below.

A *small- or medium-sized enterprise* (SME) is defined as an enterprise which meets all of the following conditions: the value of assets (excluding land and working capital) must be between 15 and 500 million Guinean francs (USD 12,000 to 400,000); the business must employ a minimum of five full-time employees; bookkeeping must be regularly kept up to date. To benefit from the regime, the investment must be in a high priority sector and at least 20 % in cash.

SMEs benefit from the following specific advantages: exemption from the payment of the minimum income tax for a period of three fiscal years from the start date of operations; tax on profits at the preferential rate applicable to self-employed craftsmen, or at a rate equal to two thirds of the normal rate if this is lower, for a period of five fiscal years from the start date of operations.

An *export-oriented firm* is defined as a manufacturing or service enterprise which exports non-traditional, non-mining, products of Guinean origin, and whose actual sales receipts from exports during a given fiscal year is more than 22 % of the total turnover of the company for the same year. To qualify as an exporting firm, the investment must be in a sector considered high-priority (detailed in paragraph 17), with 33 % of the investment in cash. Objectives concerning the creation of jobs and the training of local staff must be submitted to the CNI.

During the first five years of operations, exporting firms can exempt from the corporate income tax the proportion of profits equal to the proportion of export sales to total sales, up to a ceiling of 60 %. The normal corporate tax on profits is 35 %.

Any firm whose intermediary goods, in a year of production, are more than 50 % of Guinean origin is defined as a value adding firm. Imported materials may be added to the Guinean intermediary goods as long as the value of these materials or goods is less than 50 % of the total value of the final product (obtained after processing/production in Guinea). The sector of investment must be a high priority one, with 33 % of the investment in cash. A plan for the creation of Guinean jobs and the training of local staff must be submitted to the CNI.

Value-adding enterprises may deduct from taxable income an amount equivalent to 20 % of the value of the Guinean-origin materials consumed

Enterprises in less developed zones are also eligible for investment incentives. The 1995 revisions to the investment code divide Guinea into four zones, each contain various prefectures.

- a) Zone one comprises Conakry, Coyah, Dubreka, Forecariah and Boke.
- b) Zone two includes Boffa, Fria, Kindia, Mamou, Dalaba, Pita, Labe, Dabola and Faranah.
- c) Zone three comprises Kissidougou, Guickedou, Kankan, Macenta, N'zerekore, and Telimele.
- d) Zone four includes Koundara, Gaoual, Mali, Lelouma, Tougue, Koubia, Siguiri, Dinguiraye, Mandiana, Keroune, Bayla, Lola and Yomou.

A business is within a specific zone when: 1) at least 90 % of the personnel work in a locale within the zone; and 2) the main office and the principal centers of activity are located with the zone.

Favorable regimes also receive a Commercial/Industrial/Company tax exemption for the first three years of operations in zone two, the first six years of operations in zone three, and the first eight years of operations in zone four.

Enterprises in less developed zones are eligible for a reduction in their turnover taxes for the first five years of operation at the following rates: 20 % reduction for zone two firms; 40 % reduction for zone three firms; and 40 % reduction for zone four firms. Again, these reductions do not apply to the VAT (Value Added Tax).

The expansion of an existing enterprise is eligible for investment incentives if the expansion creates a minimum of 25 new permanent positions of employment, and investment equals at least 25 % of the initial investment, or at least 500,000,000 Guinean francs (400,000 USD). Separate bookkeeping records must be kept for the project extension.

In order to retain favorable investment treatment over the period of preferential status, the investment code stipulates fulfillment of the following performance requirements, subject to review by the CNI:

- Carry out the defined investment projects;
- Provide the documents stipulated in the decree;
- Conform to national and international quality standards;
- Maintain accounting records according to the standard chart of accounts in force in Guinea;
- Allow for an annual audit by an authorized specialist in Guinea;
- Produce goods which match those produced in Guinea in regard to prices and quality;
- Give priority to the recruitment of Guinean nationals in the case of equivalent qualifications;
- Train and give promotions to staff of Guinean nationality;
- Maintain the level and quality of the investment;
- Submit the audited annual accounts to the tax administration.

There are no formal performance requirements attached to non-priority investments.

Right to private ownership and establishment:

The Investment Code of 1987 guarantees the right of foreign and domestic private entities to establish and own business enterprises and to engage in all forms of remunerative activity, except that prohibited for the purposes of national interest. Both in theory and in fact, private entities are free to acquire and dispose of interests in business enterprises. There is little regulation of business transactions or interests and no government body equipped to do so. With no conflict of interest legislation, government officials engage in private business interests to the extent that opportunity allows. Also, a heavy concentration of business interests in the hands of a single family is not uncommon.

In order to assure competitive equality, private and state-owned companies are guaranteed equal treatment, except in cases where the national interest is at stake. This is applicable in the case of taxation and market access. Credit for both public and private enterprises is extremely difficult and expensive.

Protection of property rights:

The land tenure code of 1996 provides a legal base for documentation of property ownership. As with ownership of business enterprises, both foreign and national individuals have the right to own property. However, enforcement of these rights depends on a corrupt and inefficient Guinean legal and administrative system. As of yet, few cases exist which demonstrate that the legal system provides much effective protection in property rights dispute cases.

Guinea is a member of the African Intellectual Property Organization (OAPI) comprised of 15 African countries and the World Intellectual Property Organization (WIPO). OAPI is signatory to the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, and several other Intellectual Property treaties.

Guinea is currently modifying its Intellectual Property Right laws to bring them up to international standards. They will be in place by the year 2000. There have not been any formal complaints filed on behalf of American companies concerning Intellectual Property Rights infringements in Guinea. There are no specific mechanisms in place to protect proprietary information or trade secrets.

Transparency of the regulatory system:

Senior members of the current GOG publicly acknowledge shortcomings of the Guinean judiciary, including corruption and lack of training.

Guinea's laws are designed to promote free enterprise and competition. According to local and expatriate businesspersons the GOG lacks transparency in the application of the law. However, businesspersons assert that application procedures are sufficiently opaque to allow for significant corruption, and regulatory activity is often applied based on personal interest. The GOG, however, has committed itself to strengthening the judicial and legal institutions in order to attract more foreign investment and improve its economic condition.

The World Bank and IMF have been working with the GOG to increase transparency and efficiency of the judiciary through several training and awareness programs for both judicial and executive branch members. Also, the installation of an independent Arbitration Court helps protect foreign business people from corruption within the judicial system (see dispute settlement).

In 1994, through a variety of income and import tax increases, the tax burden of international businesses increased significantly. International financial experts in Conakry note that the new code hits medium to large expatriate ventures most immediately, and will diminish the margin of benefits originally intended to compensate investors for Guinea's poor infrastructure and difficult work environment.

In 1996 the GOG added a value added tax to all taxable items at a uniform rate of 18 %. Exports, international transportation, and certain basic food items are excluded.

In 1998, the GOG focused on improving tax administration and collection in order to increase non-mining revenue. The increase in non-mining revenue is generated by the implementation of a unique land tax, non-tax revenues (mostly user fees), and strengthened implementation of the VAT. In 1997, VAT coverage was extended to include the mining sectors.

Efficient capital markets and portfolio investment:

Credit for both private and public enterprises is extremely difficult to obtain and expensive in Guinea.

Guinea has no policy on outward direct investment. The rules of investment govern the export of capital and allow the conversion and transfer of start-up capital at the time of disinvestment. The conversion and transfer of profits is negotiated at the time of investment, to be honored on a monthly basis. Re-negotiation of the authorized repatriation ceilings is possible.

The legal, regulatory, and accounting systems are based upon French civil law. The legal and regulatory procedures, however, are not always applied uniformly or transparently.

The banking system is currently unstable, but on the road to recovery with the closure of one failed bank and plans outlined by the international monetary fund (IMF) and the World Bank to restructure the regulatory systems of three other ailing banks. The new regulations should be in place by the year 2000.

Laws governing takeovers, mergers, acquisitions, and cross-shareholding are limited to rules for documenting financial transactions and filing any change of status documents with the economic register. The code of economic activities limits reciprocal holdings to 10 % between two firms.

There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation that limit or prohibit investment.

Political violence:

Political violence associated with the presidential elections in 1993, the legislative elections in 1995 and a military mutiny in 1996 had an impact on some investors, predominantly retailers. There is no evidence, however, that American investors, or foreigners in general, were specific targets. The presidential elections of December 1998 represented an improvement on past performance and was judged legitimate by regional and international observers, and no severe turmoil was reported.

In February and March 1998, riots broke out following the demolition, without compensation, of houses illegally constructed on government property. The demolition left over 100,000 people homeless. Riots in March lasted for two days and were contained to the demolished suburb. Again, no American or foreign investors were targeted.

Guinea's neighboring countries of Sierra Leone, Liberia, and Guinea-Bissau are politically unstable or prone to security problems. The three countries are the combined source of over 600,000 official refugees, but at least 500,000 refugees are unregistered and currently residing in Guinea.

Corruption:

Corruption is the single biggest obstacle discouraging U.S. investment in Guinea. The business culture encourages corruption. Business is routinely conducted through the payment of bribes rather than by the rule of law.

Though it is illegal to pay bribes in Guinea, there is no enforcement, and it is, in practice, difficult and time consuming to conduct business without paying bribes. This leaves U.S. companies somewhat at a disadvantage, since U.S. law prohibits them from doing business by bribing government and other officials.

Enforcement of the rule of law in Guinea is irregular and inefficient. Businesses report that one must pay a bribe to see that a law is enforced, and

The GOG has made a commitment to reforming its judicial system, in conjunction with IMF and World Bank programs, through the revision of procedures, strengthening of judicial institutions, and creation of an Arbitration Court.

The ministry of justice is responsible for combating corruption and is organizing workshops and seminars to find means to enforce the rule of law and improve the business climate.

In 1997, the GOG uncovered a fraud scheme involving officials from the economic and trade ministries and the head of a French corporation in which both parties conspired to falsify documents and defraud the government of millions of USD. The minister of finance conducted the investigation and negotiated with the parties involved for promises of reimbursement of the stolen funds in return for no jail time.

Bilateral investment agreements:

Countries with bilateral investment protection agreements with the GOG include Germany, Switzerland, Italy, Belgium, Great Britain, Tunisia and Malaysia.

OPIC and other investment insurance programs:

Guinea and the U.S. have an agreement on private investment guarantees, in effect since 1962. Thus, investors are eligible for OPIC insurance programs. Currently, there are no investment projects insured by OPIC.

In 1989, Guinea signed the convention for the Multilateral Investment Guarantee Agency (MIGA). It was ratified in 1993.

The embassy and other U.S. institutions in Guinea use approximately 8-10 million USD of the local currency annually. The U.S. embassy purchases currency at the official rate, which in mid-June 1999 was at 1,323 Guinean francs to the dollar. While the Guinean franc has been devoid of sharp fluctuations, it has lost 20% of its value against the dollar over the past three years as inflation is currently estimated at 4.5 %.

Labor:

Education is compulsory for eight years, but only 35 % of girls and 66 % of boys are enrolled in primary school. Guinea has a high illiteracy rate of 64 %. To this end, labor in Guinea is ample but not well educated. With the exception of Guineans involved in donor training programs and those with the means to study overseas, few have exposure to western business and economic principles. Productivity levels are low, and Guinea has a critical shortage of skilled managers and administrators with private sector experience.

Guinea has a strict Labor Code (1988) protecting the rights of employees, and a strict enforcing agent in the ministry of social affairs. The Labor Code sets forth guidelines in various sectors, the most strict in the mining sector. Guidelines cover wages, holidays and work schedules, overtime pay, vacation, and sick leave. Employers' rights to hire and fire were recently instigated under the 1999 revision of the Labor Code by the National Assembly. Employers no longer need to go through the labor office in order to contract or terminate the work of an employee, and now there is no obligation to hire only Guinean employees.

Labor management relations, defined by the provisions of the Labor Code, can vary from smooth to difficult. Many foreign managers cite as major problems incidences of theft, low productivity and the difficulty of terminating an employee.

On average, employers must contribute 17 % of the value of the employees' salary toward social security, with an employee contribution of 5 %. The labor code outlines general guidelines related to health and safety, but the GOG has not yet articulated a set of practical occupational standards. Government resources for this activity are weak.

The labor code legalizes employee labor unions and the right to collective bargaining. The majority of workers belong to independent unions, significantly weakening the National Labor Confederation (the government union). There are about six major unions with national membership, and another 8-9 local (Conakry) unions, all of which lobby for improved wages, benefits, and working conditions.

Foreign trade zones/free ports:

Guinea has no free trade zones or ports, but a temporary license to sell merchandise duty-free may be obtained through the Ministry of Finance.

Foreign direct investment statistics:

Since 1991, investment has been moderate. According to GOG officials, many investors are awaiting the completion of judicial and economic reforms aimed at promoting private sector development. Investing in Guinea is simplified by the opening of the Office of Private Investment Promotion (OPIP), created in 1992. OPIP is a one-stop business registration office, centralizing the administrative, legal, fiscal, and other formalities required to invest in Guinea.

Guinea hosted an Investors' Forum in May 1998, sponsored by OPIP and the United Nations industrial development organization, to present numerous investment projects in Guinea. 500 potential investors were invited, and there were over 100 investment projects offered, both public and private, totaling over 134 USD in value.

Currently, the most visible and numerous foreign business presence is that of the Lebanese traders. In addition to trade, this group participates in real estate, small manufacturing enterprises, and telecommunications.

VIII. TRADE AND PROJECT FINANCING

Banking System:

Guinea's banking system follows the French banking system. Guinea's commercial banking sector was legalized by reforms in 1985 and 1986. Guinea's formal financial sector consists of the Central Bank and seven commercial banks. Only the largest of the banks has an extensive network of branches outside of Conakry (see Appendix E for a list of banks).

The banking system has a narrow base, is very fragile and is unable to meet the development needs of the private sector. Since banks are conservative and risk averse. There is not a significant amount of capital available to finance large investments. Banks prefer to finance trade. Commercial banks favor short term lending at high interest rates (25-30 %).

Guinea's banking sector experienced heightened instability in 1997, resulting in the closure of one bank and a pledge to restructure three other bank, with help from the IMF and the World Bank. Banking reforms will be complete by the year 2000 and will strengthen the banking sector's ability to respond to the private sector's needs.

Proposed reforms include the creation of a monitoring committee to supervise reform implementation, a reduction in government borrowing to allow more credit for the private sector, increased supervision of the Central bank according to Basle committee principles, and a stronger regulatory environment for the banking system.

Foreign Exchange Controls Affecting Trade:

All initial capital investments and earnings generated can be converted and repatriated, but only 50 % of Guinean capital can be converted/transferred.

The GOG states that there are no foreign exchange controls which affect trade.

Availability of Financing and Terms of Payment:

The seven commercial banks limit their activities to short and medium term finance, with very limited lending practices. Commercial interest rates are very high, averaging 25-30 %. Commercial loans, thus, are scarce and expensive. Several donor programs (including USAID) have set up credit facilities or guarantee mechanisms for agricultural and small enterprise lending through the commercial banks. These too, however, are difficult for expatriates to access.

Availability of Export Financing/Insurance:

Financing is practically non-existent through local commercial banks. Most U.S. exporters dealing with Guinean importers receive direct payment

through international transfer. If not, exporters are encouraged to insist upon an irrevocable letter of credit before shipping products to Guinea.

Types of Available Export Financing and Insurance:

Due to its poor credit rating, Guinea is ineligible for export-import bank programs. There are, however, three regional U.S. Department of Agriculture export promotion programs for which Guinea is eligible: the dairy export incentive program, a GSM-102 credit program, and a wheat export enhancement program. For more details, interested businesses should contact the U.S. Department of Agriculture.

Availability of Project Financing:

The African Development Bank's (AFDB) private sector window in Abidjan also has some funding available for development-oriented business projects. The construction of a privately run (partly U.S. owned) flour mill project was co-financed by an AFDB loan. The Overseas Private Investment Corporation will accept applications for investment projects in Guinea. The U.S. Trade and Development Agency has a small program to assist in the financing of feasibility studies that meet significant U.S. export criteria.

Types of Projects Receiving Financing Support:

Energy (hydroelectric/thermal power stations, ? million USD in 1999): funders include African Development Bank, Caisse Francaise de Developpement, World Bank, Canadian International Development Agency, Saudi Development Fund, Kuwait Development Fund, European International Bank, Germany, and European Development Fund.

Public works (roads/bridges, ? million USD in 1999): funders include African Development Bank, World Bank, Japan, USAID, Caisse Francaise de Developpement, Saudi Development Fund, OPEC, Kuwait Development Fund, African Bank for Economic and Agricultural Development, Canadian International Development Agency, European Development Fund, and Islamic Development Bank.

Urban water (? Million USD in 1999): funders include World Bank, Saudi Development Fund, African Bank for Economic and Agricultural Development, OPEC, DANIDA (Danish Development Agency), Caisse Francaise De Developpement, and Islamic Development Bank.

Infrastructure (housing and urban construction, 60.4 million USD in 1999): funders include World Bank and China.

Banks With Correspondent U.S. Banking Arrangements:

Local banks with a correspondent U.S. banking arrangement include the Banque Internationale de Commerce et Industrie (BICIGUI), with City Bank of New York; the French American Banking Corporation, and the Banque National de Paris New York Branch; the Societe Generale des Banques en Guinee

(SGBG) is affiliated with SGB of New York; the Banque Islamique de Guinee (BIG) is linked to Fidelity Bank of New York; the Unione Internationale des Banques en Guinee (UIBG) is an affiliate of Credit Lyonnais, of France, with branches in New York; and International Commercial Bank S.A. with Bank Bumiputra Malaysia Berhad in New York (see Appendix E).

IX. BUSINESS TRAVEL

Business Customs:

Successful U.S. businesses share one common characteristic: establishment of a local office staffed by individuals who know the language and the culture and have a demonstrated ability to establish relationships with key decision makers.

Guinea is a francophone country which recently opened up to investors from other regions (including North America and Asia). Businesses will encounter the same types of problems and opportunities found in other West African countries.

Businesses should know the language and the market. American products are extremely popular, but pricing is important. Low cost items will sell better. There is not a large market for high priced goods - Guinea is a poor country. U.S. companies could do well with high volume sales of low priced goods.

The key to sales in the mining, donor project, and general markets are French language ability, patience with the long selling time necessary, and very clear contractual terms including an irrevocable letter of credit and/or advance payment on a U.S. bank.

Travel Advisory and Visas:

U.S. citizens entering Guinea are required to have not only a valid passport, but also a visa. Visas can be obtained from a Guinean diplomatic mission or consulate abroad. The Guinean diplomatic mission in the U.S. is at the following address:

Embassy of Guinea
2112 Leroy Place, N.W.
Washington, D.C. 20008
Tel: (202) 483-9420
Fax: (202) 483-8688

Holidays:

The following official holidays are observed in Guinea:

New Year's Day:	January 1
End of Ramadan:	variable - (February, 1997)
Easter Monday:	variable - (March, 1997)
Declaration - Second Republic:	April 3
Tabaski:	variable - (April, 1997)
Labor Day:	May 1
Anniversary of OAU:	May 25
Assumption:	August 15
Prophet Mohammed's Birthday:	variable - (September, 1997)

Independence Day:	October 2
Christmas:	December 25

Business Infrastructure:

Language:

French is the official language of government, education, and business. Local languages (Soussou, Fula, Malinke) are also widely spoken. There are few English speakers available locally, however, growing populations of Liberians and Sierra Leoneans have added to the number of anglophones.

Housing:

There has been an increase in construction in recent years and ample housing is available for expatriate businesspersons in Conakry. Rents have decreased, but are still very expensive compared to other countries in the region (anywhere from 1,000-2,000 USD per month for a single family house or apartment). Utility costs are very high due to poor infrastructure and inadequate billing and collection. The inadequate electric supply increases housing costs by adding generator and fuel costs.

For short term housing, there are three hotels in Conakry which meet acceptable standards:

Hotel Camayenne (located midtown)
B.P. 2818
Conakry, Republique de Guinee
Tel: (224) 41-40-89
Fax: (224) 41-29-95
Telex: 0995 23385 HOTCAM

Novotel - Grand Hotel de l'Independence (located downtown)
B.P. 287
Conakry, Republique de Guinee
Tel: (224) 41-50-21, 41-46-81/82/83/84
Fax: (224) 41-16-31
Telex: 22112 GE, 22275 GE

Hotel Mariador (located uptown)
B.P. 627 BIS
Conakry, Republique de Guinee
Tel: (224) 41-27-52/40-20-40/40-27-70
Fax: (224) 41-45-44
Telex: 22 129 MARSY

Transportation:

Taxis are readily available at the major hotels in Conakry but are not up to U.S. standards. Car rental (with or without driver) is available, though expensive, through the following agencies:

Avis
Directeur: Ms. Oumar Ly

B.P. 1455
 Conakry, Republique de Guinee
 Tel: (224) 41-40-89/50-21
 Telex: 22268 GE

Hertz-Guinee
 B.P. 1366
 Conakry, Republique de Guinee
 Tel: (224) 41-40-89/50-21
 Telex: 609 SAG FIN

Euro-Car
 Hotel de l'Independence
 B.P. 587
 Tel: (224) 41-40-89/51-21
 Telex: 783 EGCA
 Conakry, Republique de Guinee

Guinee-Cars
 (Located opposite Societe Generale des Banques)
 B.P. 93
 Tel: 44-35-75/39-26
 Telex: 627 GE
 Conakry, Republique de Guinee

Locadem Rent a Car
 Hotel Camayene
 Tel: (224) 45-19-01 or 41-40-89
 Novotel, Room 119
 Tel: (224) 45-19-80 or 41-50-21
 Fax: (224) 41-34-42
 Conakry, Republique de Guinee

Communications:

Communications systems in Guinea are still in rudimentary stages of development, although they have improved over the past two years. International calls (and facsimile transmissions) can be made from the Post Office (PTT) and from major hotels and places of business. Local calls can be made in the downtown area of Conakry with very little difficulty. A plethora of phone booths, using phone cards purchased at the Post Office, were installed throughout Conakry in 1996-1997. For postal service, most businesses utilize a post office box.

There are currently two cellular phone companies in Conakry (SPACETEL and TELECEL) which provide more reliable (and also more expensive) services than the local telephone company. However, Malaysian investors are determined to expand and improve the services of the local company. Through USAID's Leland Initiative, Guinea gained full Internet access in 1997. Three local service providers are: Sotelgui, Binta and Bull.

Health:

Health conditions are poor. All major vaccinations (consult Center for Disease Control, Atlanta, GA, tel: (404) 639-1510, fax: (404) 639-1509) should be updated before traveling to Guinea.

To maintain good health in the tropics, the following simple health precautions should be observed:

- Drink only boiled or filtered water.
- Wash and disinfect salad ingredients and nonpeelable vegetables and fruits before eating them.
- Take anti-malaria pills.
- Use a mosquito net if sleeping in a room that has unscreened, open windows.
- Contact CDC for full range of required vaccinations.

U.S. Medical Prescriptions:

Since most of the pharmaceutical products available in Guinea are French, the business traveler will have to show a doctor his U.S. prescription so the doctor can prescribe the French equivalent.

Medical Facilities:

Medical facilities are limited. Doctors and hospitals often expect immediate cash payment for health services.

X. APPENDICES

Appendix A: Country Data

Population (millions, 1999 est):	6,505,355
Population growth rate:	2.8 %
Religion:	predominantly Muslim
Government system:	democratic republic
Languages:	French (official language) Soussou, Fula, Malinke, other local languages
Work week:	Monday - Friday (businesses close at 1pm Friday for Islamic prayers)

Appendix B: Domestic Economy

	1998(est)	1999(est) (USD millions)	2000(proj)
GDP (current dollars)	4,030.0 mil	4,235.51 mil	4,4367.45 mil
GDP growth (%)	4.9%	5.5%	5.5%
GDP per capita (actual)	540.0	600.0	600.0
Government spending as % of GDP	12.0%	12.0%	6.0%
Inflation (%)	4.0%	4.3%	4.3%
Unemployment (%) ¹	8-11%	8-11%	8-11%
Foreign exchange reserves ²	146.0 mil	203.8 mil	225.8 mil
Average exchange rate for USD 1.00	1,230.0	1,323.0	1,424.6
Debt service ratio	11.4	14.8	15.7
U.S. economic assistance ³	16.9	17.87	18.3
U.S. military assistance	0.15 mil	0.2 mil	NA

¹based on a World Bank study which includes informal sector employment

²wb - net foreign assets of Central Bank

³economic assistance includes: USAID, PL 480, Embassy Special Self Help, and Peace Corps

Appendix C: Trade

	1998(est)	1999(est) (USD millions)	2000(proj)
Total country exports 1	843.0	6167.0	.
Total country imports 2	821.8	7257.0	.
U.S. exports 1	.	.	.
U.S. imports 2	.	.	.

1 FOB Value

2 CIF Value

SOURCE: World Bank

Appendix D: Investment Statistics

	1998 (est)	1999 (est)	2000 (proj)
	USD Millions		
FDI Inflows	25.5	NA	NA
FDI Balance (% of GDP)	6.32%	NA	NA

Source: World Bank

Major Foreign Direct Investments (1997-1998)

Project (US\$)	Company/Country	Value
To repair 350 km rail link million	Slovak Railways	200
Between Conakry and Dabola		
To explore gold deposits million	Ashanti Goldfields/Ghana	45
To explore diamond reserves	Society Aurifere de Guinee Hymex Diamant Corp./Canada	24 million
To expand and modernize million bauxite mining facilities	Government/Iran	20
To expand diamond mining operations and purchase diamonds	DeBeers/S. Africa	8 million

Major U.S. investors:

- ALCOA, Pittsburgh, PA
- AMEX International, Washington, D.C.

U.S. Companies Operating In Guinea Through Foreign Subsidiaries Or Local Representatives:

Ernst & Young	Mobil
Motorola	Western Union
Coca-Cola	SPACETEL
General Motors	TELECEL
DHL	IBM
Xerox	Delta

Major companies of other countries:

- Shell, Great Britain
- Elf Aquitaine, France
- Total, France
- Golden Shamrock Mines Ltd, Australia
- Banque Nationale de Paris (BNP), France

- Credit Lyonnais, France
- Societe General de Banques de France
- Mack Trucks, France
- Intercontinental Technical Services (ITS)
- Alumine Pechiney, France
- Alcan, Great Britain
- Government of Iran
- Private Libyan Group
- Various Malian, Lebanese, and other third country national importers and small investors.

Appendix E: U.S. And Country Contacts

U.S. Embassy Trade Related Contacts:

International address:

Economic/Commercial Officer
American Embassy Conakry
B.P. 603
Conakry
Republic of Guinea

State Department pouch address:

U.S. Embassy Conakry
Department of State
Washington, D.C. 20521-2110
Tel: (224) 41-15-20/21/23
Fax: (224) 41-15-22
E-mail: SHOEMAKERLX@conakryb.us-state.gov

U.S. Agency for International Development (USAID)
B.P. 603
Conakry
Republique of Guinea
Tel: (224) 41-20-29/4-21-63 /41-25-02
Fax: (224) 41-19-85

Commercial Library
United States Information Service Cultural Center
Thurgood Marshall Library
Conakry, Republique de Guinee
Tel: (224) 46-14-24 / 41-36-78
Fax: (224) 41-29-21

Country Trade or Industry Associations in Key Sectors:

Chambre de Commerce de Guinee
M. Ousmane Balde, President
B.P. 545
Conakry, Republique de Guinee
Tel: (224) 41-22-80 / 46-38-46
Telex: 22102
Fax: (224) 41-39-90

Patronat Guineen
El Hadj Galle Hann, President
c/o Hann & Cie
B.P. 431
Conakry, Republique de Guinee
Tel: (224) 41-48-43, 41-36-51
Fax: (224) 44-37-12

Country Government Offices Relating to Key Sectors:

Ministry of Telecommunications, Transportation, Public Works and the Environment

M. Cellou Dalien Diallo, Ministre

B.P. 13

Conakry, Republique de Guinee

Tel: (224) 41-36-39

Telex: 22349 GC

National Commerce Directory

M. Mohamed Bangoura

B.P. 13

Conakry, Republique de Guinee

Tel: (224) 41-37-37

Telex: 22349 GC

Ministry of Commerce, Industry, and Private Enterprise

M. Madikaba Camara, Ministre

Conakry, Republique de Guinee

Tel: (224) 41-43-60

Telex: 22349 GE

Organization for the Promotion of Public Investments (OPIP)

M. Ben Yala Sylla, Directeur

B.P. 2024

Conakry, Republique de Guinee

Tel: (224) 41-49-85

Telex: 22371 mindus Ge

Country Market Research Firms:

West African Consultants

B.P. 2419

Conakry, Republique de Guinee

Tel: (224) 44-29-79

FFA/Ernst and Young

Immeuble Saadi

Ave. De la Republique

B.P. 1762

Conakry, Republique de Guinee

Tel: (224) 44-21-82

Fax: (224) 41-28-31

Telex: 23200

Country Commercial Banks:

Banque Centrale de la Republique de Guinee (BCRG)

Boulevard du Commerce

B.P. 692

Conakry, Republique de Guinee

Tel: (224) 41 39 63
Telex: 22225 GE

Banque Internationale Pour l'Afrique de l'Ouest
Guinee (BIAG)
Avenue du Commerce
B.P. 1419
Conakry, Republique de Guinee
Tel: (224) 41 42 65 / 42 83 / 44 42
Fax: (224) 41 22 97
Telex: AFRBK 22180 GE, 23202 GE

Banque Internationale Pour le Commerce et
l'Industrie de la Guinee (BICIGUI)
Avenue de la Republique
B.P. 1484
Conakry, Republique de Guinee
Tel: (224) 41 50 11 / 45 15 / 39 54
Fax: (224) 41 39 62
Telex: 22175 & 23215 GE

Banque Islamique de Guinee (BIG)
6ème Avenue
B.P. 1247
Conakry, Republique de Guinee
Tel: (224) 41 50 73
Fax: (224) 41 50 71

Banque Populaire Maroco-Guineenne (BPMG)
B.P. 4400
Conakry, Republique de Guinee
Tel: (224) 41 36 98 / 41 15 99

International Commercial Bank S.A.
4e Av. Boulbinet
B.P. 3547
Conakry, Republique de Guinee
Tel: (224) 41-25-90/91/92
Fax: (224) 41-54-50

Societe Generale de Banques en Guinee (SGBG)
Avenue de la Republique
B.P. 1514
Conakry, Republique de Guinee
Tel: (224) 41 17 41 / 17 46
Fax: (224) 41 25 58
Telex: (0995) 22212 SOGEKRY

Union Internationale de Banque en Guinee (UIBG)
6ème Avenue, Angle 5ème Boulevard
B.P. 324

Tel: (224) 41 20 96 / 43 09

Telex: 23135 GE 22223 GE

Multilateral Development Bank Offices in Country:

The World Bank

Immeuble de l'Archeveche

Face Baie des Ange

B.P. 1420

Conakry, Republique de Guinee

Tel: (224) 41-27-70

International Monetary Fund

Banque Central de la Republique de Guinee

Boulevard du Commerce

B.P. 692

Conakry, Republique de Guinee

Tel: (224) 41 39 63

Telex: 22225 GE

Washington-Based USG Country Contacts:

Office of West African Affairs (AF/W)

Bureau of African Affairs

U.S. Department of State

Washington, D.C. 20520

Tel: (202) 647-3407

Fax: (202) 647-4855

Desk Officer for Guinea: Alexander Martschenko

U.S. Department of Commerce Country Desk Officer:

Mr. Philip Michelini

Senior Country Specialist

Office of Africa

U.S. Department of Commerce

Washington, D.C. 20230

Tel: (202) 482-4388

Fax: (202) 482-5198

TPCC Trade Information Center number in Washington: 1-800-USA-TRADE

U.S. Department of State Office of the Coordinator for Business Affairs:

Phone 202-746-1625, Fax 202-647-3953

XII. MARKET RESEARCH

Appendix F: Market Research

No general market research was published in 1998 or to date in 1999. Specific market research is done on occasion by individual businesses in specific sectors, and not available for general distribution.

Appendix G: Trade Event Schedule

There are three major trade fairs in Conakry:

- 1) Conakry International Fair (Foire Internationale du Conakry), held every two years in November (It will be held November 25 through December 5, 1999);
- 2) Guinean Products Fair (Salon de l'Agriculture/Salon des Produits Guineans) held in May/June every year; and
- 3) Agriculture, Industry and Artisan Fair (Salon de l'Agriculture, Industrie et Artesanat) held on January 22 – February 7, 1999.

Note: Firms should consult the export promotion calendar on the National Trade Database (NTDB), or contact the post commercial section for the latest information or to arrange individual trade programs.

Appendix H: Local Newspapers

1. Journal Officiel
2. Horoya - Tel: 224-41-34-75/41-37-76
3. L'Independant - Tel: 224-41-57-62 Fax:224-41-43-19
4. L'Independant Plus - Tel: 224-41-57-62 Fax:224-41-43-19
5. Le Lynx - Tel: 224-41-23-85 Fax:224-41-23-85
6. La Lance - Tel: 224-41-23-85 Fax:224-41-23-85
7. L'Oeil
8. La Nouvelle Guinee
9. Magazine de l' Economie Guineene